

D.P.U. 96-32

Application of Eastern Edison Company under the provisions of the Company's tariff, M.D.P.U. 245, for approval by the Department of Public Utilities to implement the Company's temporary Purchased Power Cost Adjustment Factor S-13.

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FOR: EASTERN EDISON COMPANY
Applicant

I. INTRODUCTION

On February 22, 1996, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Eastern Edison Company ("EECo" or "Company") applied to the Department of Public Utilities ("Department") for approval to implement a temporary change in its purchased power cost adjustment ("PPCA") clause. The Company requested that this change be effective for bills issued from April 1, 1996 through April 30, 1996. The matter was docketed as D.P.U. 96-32.

Pursuant to notice duly issued, a public hearing on the Company's application was held on March 13, 1996 at the Department's offices in Boston. Notice of the hearing was published by the Company in the Fall River Herald News, the Quincy Patriot Ledger, the Brockton Enterprise, and the Boston Herald. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate. No petitions for leave to intervene were filed. At the hearing, the Company sponsored one witness: Mark Sorgman, supervisor of rate administration of Eastern Utility Associates Service Corporation ("EUASC"). The evidentiary record consists of two Company exhibits.

EECo is a wholly owned subsidiary of Eastern Utilities Associates ("EUA"), a utility holding company. EUA's other subsidiaries, affiliates of EECo, include Blackstone Valley Electric Company ("Blackstone") in Rhode Island, Newport Electric Corporation ("Newport") in Rhode Island and EUA Service Corporation, which provides engineering, technical, and other services for the EUA companies. Montaup Electric Company ("Montaup") is a wholly owned subsidiary of EECo and supplies power to EECo, Blackstone, Newport, and certain municipal

electric utilities. EECο purchases all of its power requirements at wholesale from Montaup pursuant to rates regulated by the Federal Energy Regulatory Commission ("FERC"). Thus, EECο does not own or operate any power generation units of its own. EECο serves, on average, 204,000 customers in its service territory, which includes over 20 cities and towns in southeastern Massachusetts.

II. BACKGROUND

EECο's PPCA is designed to recover Montaup's demand-related charges to EECο. The PPCA is derived from two components: (1) Montaup's base demand charge; and (2) Montaup's purchased capacity demand charge. Montaup recovers the cost of power it generates through a FERC-approved base demand rate. However, Montaup also seeks alternative sources from which to purchase power in order to meet the contracted power supply demands of its affiliates. As a result, each year, Montaup solicits cost estimates from alternative power suppliers. These estimates of annual cost are the basis of the purchased capacity demand charge.

Annually, Montaup files at the FERC for an adjustment to the purchased capacity demand charge to become effective January 1. At the FERC, the change in Montaup's purchased capacity demand charge is referred to as an adjustment of Montaup's purchased capacity adjustment clause ("PCAC"). Under the terms of the Company's tariff, M.D.P.U. 245, whenever there is a change in Montaup's demand charge, EECο is required to file for a revision to its PPCA factor with the Department. These changes are designated as E-factors.

In the instant docket, the Company proposes a billing adjustment, designated as PPCA Factor S-13, to accomplish four reconciliations in its PPCA rate. An S-factor is a temporary

PPCA factor representing a change in EEC's cost of purchased power brought about by a billing adjustment rendered by EEC's wholesale supplier, Montaup.

III. THE COMPANY'S PROPOSED PPCA S-13 FACTOR

The Company proposed to consolidate into one S-factor four reconciliations of its PPCA: (1) a refund credit from Montaup associated with its reconciliation of its 1995 PCAC demand charge; (2) an underrecovery balance resulting from the reconciliation of PPCA Factor E-10; (3) an under-refund including interest associated with the temporary PPCA factor S-11; and (4) an over-refund including interest associated with the PPCA Factor S-12 (Exh. EE-1, at 2). First, EEC's share of the refund credit, associated with Montaup's 1995 overcollection of revenues required to recover the net purchased capacity costs, was \$2,467,876 including interest from Montaup (id. at 3). The Company ascribed the overcollection to lower purchased power expenses than forecasted by Montaup (Tr. at 5-6). Second, the reconciliation of PPCA Factor E-10 resulted in an underrecovery of \$1,127 (Exh. EE-1, at 9). Third, temporary PPCA Factor S-11 was designed to refund \$3,123,240, but actually refunded \$3,082,216 (id. at 3). This resulted in an underrecovery including interest of \$44,426 (id. at 10). Finally, temporary PPCA Factor S-12 was designed to refund \$1,083,837, but actually refunded \$1,086,607 (id. at 4). This resulted in an overrecovery including interest of \$2,954 (id., Sch. 6).

In addition to the components described above, EEC proposes to apply interest to the amount to be refunded, resulting in an additional interest credit of \$ 8,797.58 (id., Sch. 2)

The Company calculated temporary PPCA Factor S-13 by dividing \$2,517,018.29, the total amount proposed to be refunded, by 208,195,486, the forecast kilowatthour ("KWH") sales during April 1996, resulting in a credit of \$0.01209 per KWH (id.).

IV. FINDINGS

We have reviewed the Company's calculations of the factor components, including the interest amounts added to the calculations, and find them to be appropriate. The Department has calculated EEC's temporary PPCA S-13 Factor to be a credit of \$0.01209 per KWH for the period of April 1, 1996 through April 30, 1996 as shown on Table 1, attached to this Order. The combination of the temporary PPCA Factor S-13 with the PPCA Factors E-11, (PCAC) and E-9R, in effect as of April 1, 1996, results in a total PPCA credit of \$0.01614 per KWH (id., Sch. 1).

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Eastern Edison Company's proposed temporary Purchased Power Cost Adjustment Factor S-13 be and hereby is allowed; and it is

FURTHER ORDERED: That a temporary Purchased Power Cost Adjustment Factor S-13 of (\$0.01209) per kilowatthour is permitted to become effective for Eastern Edison Company with respect to bills rendered beginning on April 1, 1996, and shall be applied as a uniform credit to each kilowatthour sold on the applicable rates that are subject to the Company's purchased power cost adjustment provisions; and it is

FURTHER ORDERED: That Eastern Edison Company's temporary Purchased Power Cost Adjustment Factor S-13 shall be in effect until April 30, 1996.

By Order of the Department,

John B. Howe, Chairman

Mary Clark Webster, Commissioner

Janet Gail Besser, Commissioner